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April 5, 2013

Lisa Jones, Program Manager–CDFI Bond Guarantee Program
Community Development Financial Institutions Fund
1500 Pennsylvania Avenue, NW
Washington, DC 20220

RE: CDFI Bond Guarantee Program ("Program")–Request for Public Comments on Interim Rule

Dear Ms. Jones:

I am writing you on behalf of The Community Development Trust ("CDT"). CDT is a certified community development financial institution ("CDFI") with a national service area. We serve primarily as a secondary market purchaser of affordable housing and community development loans, helping to re-capitalize both CDFIs and conventional lenders so that they can provide additional financing for these purposes. We also originate these same loans and make direct equity investments in affordable housing properties across the country. We are the only national real estate investment trust ("REIT") that focuses exclusively on affordable housing and community development finance. Since our founding in 1998, we have committed and invested nearly $900 million in support of affordable housing and community developments throughout the country, helping to create and preserve approximately 33,000 units affordable to low-income families and households.

We welcome the opportunity to submit comments and suggestions regarding the Interim rule on the CDFI Bond Guarantee Program, which was published in the Federal Register notice of February 5, 2013.

1) Fees and Costs

As part of each application, we recommend that the CDFI Fund require Qualified Issuers and CDFI borrowers to detail their fixed and ongoing costs of deploying the capital. This should include discussions of the costs and fees associated with having multi-CDFI borrowers under a Qualified Issuer. While we support the ability to create different bond structures that will support the needs of a multiplicity of CDFIs, we recommend that the CDFI Fund take into account and rank the cost effectiveness of the activities proposed in each application. Additional costs tend to be passed onto the ultimate borrower and its community, which reduces the ultimate impact of the Program.

2) Loan Sector Analysis

We recommend that the CDFI Fund explicitly require CDFI borrowers to discuss the credit characteristics of loans that they plan to utilize in the Program. Because the CDFI community is so diverse, the Fund should expect to receive applications for a multitude of loan types. Metrics that should be evaluated include historical default rates, loss severity and loan liquidity in the event the Fund needs to take back the collateral. CDFI borrowers should discuss their historical experience as well as any third party credit metrics on the particular loan types that they plan to utilize in the Program.

3) CDFI to CDFI Loan Purchasing

While the Fund has put forth a structure that allows a multiple CDFI borrowers under a Qualified Issuer, we recommend that applications with one or two large CDFI borrowers that promise a portion of their bond proceeds for the purchase loans from other CDFI's be considered equivalent to an application having a multiple CDFI borrowers. By purchasing loans and investments from CDFI's, secondary market CDFIs can recapitalize other CDFI's just as effectively as if these same CDFI's were borrowers under the Program. In fact, the CDFI Fund should take into account that its full recourse and secured lending may inhibit certain smaller CDFI's from raising additional capital from outside entities. It should instead encourage these smaller CDFI's to participate in other structures such as selling loans to other CDFI's or direct lending CDFI to CDFI loans.

4) Loan Rate Restrictions

CDFIs are diverse entities with various product types. They operate in very different markets, with a range of borrowers and investees, and confront varying levels of risk. One of the hallmarks of the industry has been its ability to develop and adapt products to meet particular needs as they arise; CDFIs require the flexibility to structure their products as they see fit and to price them in a way that both addresses the borrower's needs and the CDFI's financial sustainability. Therefore, we recommend that the CDFI Fund not place significant restrictions on secondary loan interest rates, as doing so would inhibit awardees' ability to use the bond proceeds most effectively in their target markets.

5) Borrower Covenants

While we understand The CDFI Fund's desire to set bond covenants, there is a practical reality that any such effort on the part of the CDFI Fund could well inhibit many CDFI borrowers from accessing the capital markets in the future. We encourage the Fund to only consider awards to CDFI Borrowers will result in minimal covenants. In addition, we encourage the Fund to have applicants list covenants that they could agree to (or not agree to) in the Application in order to make sure the Program does not restrain future capital to the awardees.

6) Borrower Analysis

CDFIs that have strong financial positions, capital at risk and long lending track records are much more likely to be able to withstand and cure issues that arise with investments made under the Program. To that end, we recommend that the CDFI Fund place significant emphasis on CDFI Borrowers' net worth and historical self sufficiency ratios. In particular, we recommend that the CDFI Fund require CDFI borrowers with self sufficiently ratios below 1.0 to explain how they will be able to meet future obligations, particularly if government programs are curtailed. Additionally, we ask that The CDFI Fund highly scrutinize SPE Borrowing Entities specifically formed for this Program. A CDFI that has a long track record of mission oriented lending with assets outside of the Program is much more likely to be able and willing to cure defaults when they arise over 30-years.

7) Qualified Issuers

One of the most imperative aspects of the Program's funding costs being affordable to CDFI's and their ultimate borrowers is having cost effective Qualified Issuers. Given the previous uncertainty and short application period for the Program, potential Qualified Issuers have largely been uninvolved in the Program's formation. We find it imperative that the CDFI Fund reach out to a number of potential Qualified Issuers over the next sixty days in order to avoid potentially having only one Qualified Issuer administer the entire Program. Therefore, we ask that the CDFI provide a shortened approval period to Qualified Issuer applicants before any awards are provided to CDFI Borrowers. Providing the names of a number of approved Qualified Issuers before CDFI Borrowers are required submit their respective applications should bring lower fees and more transparency to the Program.

We are supportive of the Opportunity Finance Network's position paper posted on their website (http://opportunityfinance.net) regarding issues that we have not specifically addressed in this letter.

We appreciate your consideration of these comments and look forward to the implementation of the Program. Please do not hesitate to contact me at (212) 271-5073 or cblair@cdt.biz should you have any questions or concerns about these recommendations.

Sincerely,

Christopher C. Blair
Vice President – Finance